

# **S. Preston Douglas & Associates, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS  
American Institute of CPAs  
N. C. Association of CPAs

## **Independent Auditor's Report**

To the Honorable Mayor  
and Members of the City Council  
Archdale, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Archdale, North Carolina, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Archdale's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Archdale, North Carolina as of June 30, 2006, and the respective changes in financial position and cash flows, where appropriate, there of and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2006 on our consideration of City of Archdale's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants, agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 3 through 12 and the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions on pages 50 and 51 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Archdale's basic financial statements. The introductory information, individual fund financial statements and schedules and the statistical information, as well as the accompanying schedule of expenditures of state awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements and schedules and the accompanying schedule of expenditures of state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we express no opinion on them.

*S. Preston Douglas & Associates, LLP*

September 15, 2006

## Management's Discussion and Analysis

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As management of the City of Archdale, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2006. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City of Archdale's financial statements, which follow this narrative.

### Financial Highlights

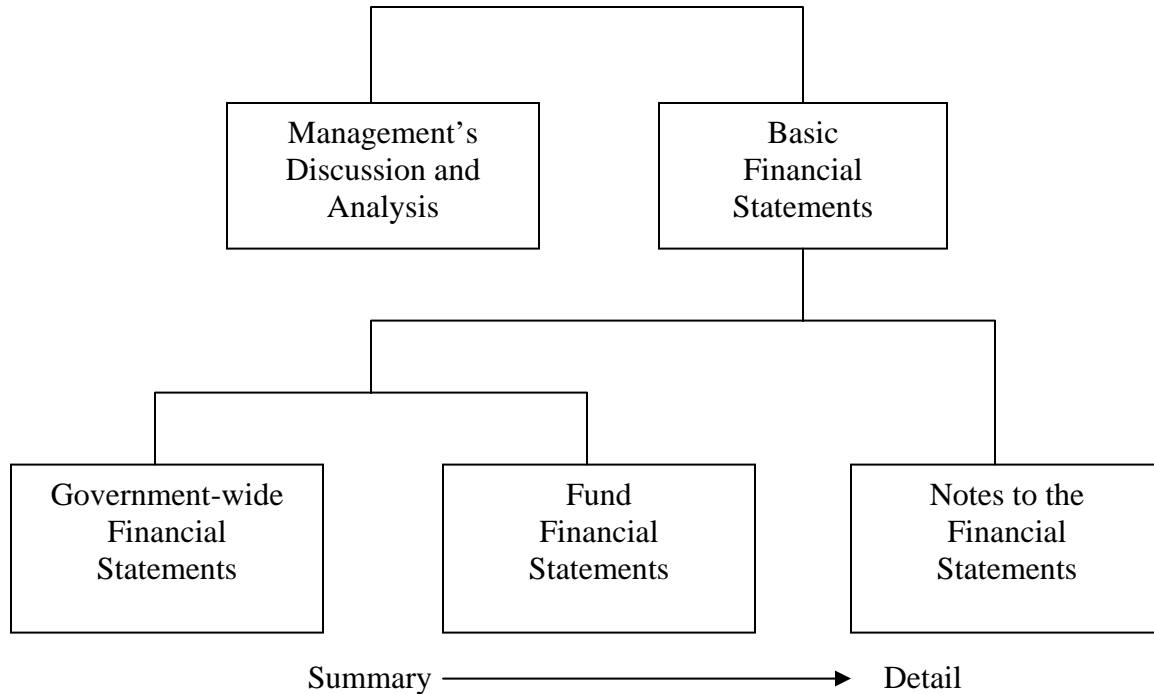
- The assets of the City of Archdale exceeded its liabilities at the close of the fiscal year by \$29,857,849.
- The government's total net assets increased by \$809,281, primarily due to increases in the governmental type activities net assets.
- As of the close of the current fiscal year, the City of Archdale's governmental funds reported combined ending fund balances of \$4,361,164 an increase of \$370,143 in comparison with the prior year. Approximately 80 percent of this total amount, or \$3,468,099, is available for spending at the government's discretion.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$3,468,099 or 65 percent of total general fund expenditures for the fiscal year.
- The unreserved fund balance for the General Fund includes \$175,000 designated by City Council to be used for possible future economic development incentives.
- The unreserved fund balance designated for subsequent year's expenditures is for one-time capital expenses.

### Overview of the Financial Statements

This section, *Management's Discussion and Analysis*, is intended to serve as an introduction to City of Archdale's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Archdale.

### Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short- and long-term information about the City's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the city government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this section of the statements.

### Government-wide Financial Statements

The government-wide financial statements (Exhibits 1 and 2) provide information about the City's finances as a whole, using accounting methods similar to those used by private-sector businesses. The government-wide statements include all of the City's assets and liabilities, both short- and long-term.

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories.

- *Governmental activities* – Most of the City's basic services are included here, such as public safety, public works, parks and recreation, and general administration. Property taxes and unrestricted grants and contributions finance most of these activities.
- *Business-type activities* – The water and sewer services offered by the City of Archdale are included here because customers are charged a unit price for the services received.

### Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Archdale, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Archdale can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – The basic services reported as governmental activities in the government-wide financial statements are included in the governmental activities. The focus of governmental fund financial statements is on near-term inflows and outflows of current available resources, as well as on balances of current resources available at the end of the fiscal year. Governmental funds are reported using an accounting method called modified accrual accounting that provides a short-term spending and measurement focus. This information is useful in evaluating the City's short-term financing requirements for operating the City's programs and services. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Archdale adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the

## Management's Discussion and Analysis (Continued)

General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**Proprietary Funds** – Services for which the City charges customers a fee are generally reported in proprietary funds. The City of Archdale accounts for its water and sewer activity in a proprietary fund. This is the same activity shown in the business-type activities in the government-wide statements. Proprietary funds use the accrual basis of accounting and focus on economic resources, both short- and long-term.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 28 through 48 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Archdale's progress in funding its obligation to provide pension benefits to its law enforcement employees. This supplementary information is required by generally accepted accounting principles and can be found beginning on page 50 of this report.

### Government-Wide Financial Analysis

#### The City of Archdale's Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 4,566,845	\$ 4,171,155	\$ 6,314,194	\$ 2,432,551	\$ 10,881,039	\$ 6,603,706
Capital assets	10,526,423	10,437,964	19,164,570	17,877,321	29,690,993	28,315,285
Total assets	15,093,268	14,609,119	25,478,764	20,309,872	40,572,032	34,918,991
Long-term liabilities outstanding	759,869	1,088,694	8,004,617	4,371,020	8,764,486	5,459,714
Other liabilities	336,364	124,945	1,613,333	148,660	1,949,697	273,605
Total liabilities	1,096,233	1,213,639	9,617,950	4,519,680	10,714,183	5,733,319
Net assets:						
Invested in capital assets,						
net of related debt	9,786,997	9,496,383	13,402,879	13,516,821	23,189,876	23,013,204
Restricted	224,919	295,684	-	-	224,919	295,684
Unrestricted	3,985,119	3,603,413	2,457,935	2,273,371	6,443,054	5,876,784
Total net assets	\$ 13,997,035	\$ 13,395,480	\$ 15,860,814	\$ 15,790,192	\$ 29,857,849	\$ 29,185,672

## Management's Discussion and Analysis (Continued)

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As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Archdale exceeded liabilities by \$29,857,849 as of June 30, 2006. The City's net assets increased by \$809,281 for the fiscal year ended June 30, 2006. However, the largest portion 78% reflects the City's investment in capital assets (e.g. land, buildings, equipment, and machinery); less any related debt still outstanding that was issued to acquire those items. The City of Archdale uses these capital assets to provide services to citizens; consequently, these capital assets are not available for future spending. Although the City of Archdale's investment in its capital assets is reported net of any outstanding related debt, the resources needed to repay these obligations must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Archdale's net assets (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,443,054 (22%) is unrestricted.

Several particular aspects of the City's financial operations positively influenced the total unrestricted governmental net assets:

- Randolph County bills and collects property taxes due to the City of Archdale. The percentage of the net levy collected was 98.52%.
- Total property tax revenues increased \$74,844, primarily due to new development. The ad valorem tax rate remained unchanged from the prior year at 26¢ per \$100 of assessed property value.
- Revenues remained steady or increased due to improving economic conditions and steady increases in the population of the City.
- Rising interest rates led to improved returns on investments.
- A \$175,000 Clean Water Management Trust Fund grant was received for the purchase of additional park land at Creekside Park.
- Even though sales tax revenues did not meet the expected budget, they were \$70,000 more than the amount received in the previous fiscal year.

## Management's Discussion and Analysis (Continued)

### The City of Archdale's Changes in Net Assets

**Figure 3**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 649,239	\$ 649,280	\$ 2,389,519	\$ 2,119,762	\$ 3,038,758	\$ 2,769,042
Operating grants and contributions	402,240	412,053	-	15,974	402,240	428,027
Capital grants and contributions	175,000	98,142	-	172,022	175,000	270,164
General revenues:						-
Taxes	3,767,427	3,631,689	-	-	3,767,427	3,631,689
Grants and contributions not restricted to specific programs	412,777	355,545	-	-	412,777	355,545
Unrestricted investment earnings	171,230	127,355	146,283	-	317,513	127,355
Other	17,464	158,474		188,965	17,464	347,439
Total revenues	<u>5,595,377</u>	<u>5,432,538</u>	<u>2,535,802</u>	<u>2,496,723</u>	<u>8,131,179</u>	<u>7,929,261</u>
Expenses:						
General government	546,520	706,813	-	-	546,520	706,813
Public safety	2,043,099	1,804,040	-	-	2,043,099	1,804,040
Public works	1,537,596	1,227,683	-	-	1,537,596	1,227,683
Cultural and recreation	832,645	767,940	-	-	832,645	767,940
Community promotions	116,303	47,018	-	-	116,303	47,018
Interest on long-term debt	27,659	-	-	-	27,659	-
Water and sewer	-	-	2,218,076	1,985,749	2,218,076	1,985,749
Total expenses	<u>5,103,822</u>	<u>4,553,494</u>	<u>2,218,076</u>	<u>1,985,749</u>	<u>7,321,898</u>	<u>6,539,243</u>
Increase in net assets before transfers	491,555	879,044	317,726	510,974	809,281	1,390,018
Transfers	110,000	135,000	(110,000)	(135,000)	-	-
Increase in net assets	601,555	1,014,044	207,726	375,974	809,281	1,390,018
Net assets, July 1	<u>13,395,480</u>	<u>12,381,436</u>	<u>15,790,192</u>	<u>15,414,218</u>	<u>29,185,672</u>	<u>27,795,654</u>
Prior period adjustment	-	-	(137,104)	-	(137,104)	-
Net assets, July 1, restated	<u>13,395,480</u>	<u>12,381,436</u>	<u>15,653,088</u>	<u>15,414,218</u>	<u>29,048,568</u>	<u>27,795,654</u>
Net assets, June 30	<u>\$ 13,997,035</u>	<u>\$ 13,395,480</u>	<u>\$ 15,860,814</u>	<u>\$ 15,790,192</u>	<u>\$ 29,857,849</u>	<u>\$ 29,185,672</u>



## Management's Discussion and Analysis (Continued)

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**Governmental Activities:** Governmental activities increased the City's net assets by \$601,555, thereby accounting for 75% of the total growth in the net assets of the City of Archdale. Key elements of this increase are as follows:

- Ad valorem taxes are 38% of governmental activities revenue.
- Franchise tax revenues increased.
- Interest income increased, due to higher rates.
- A portion of Powell Bill Funds, generated from the State Gasoline Tax, is shared by municipalities through a formula based on population and street miles. The use of these funds is restricted to specific street-related expenses for non-NCDOT system streets. Archdale's share of these funds remained constant and the City contracted for some street resurfacing projects.
- Increasing expenditures in the Police Department budget over the past few years reflects a commitment to provide each officer with a fully-equipped vehicle. The process was completed during fiscal year 2006 and the vehicles are scheduled for replacement on a periodic basis.
- The addition of new vehicles and equipment for police officers also increases the operating budget for the maintenance and operating costs of the equipment.
- This fiscal year includes 13 months of contract payments to the solid waste service provider for a one-time adjustment to match accounting periods.
- New employee positions included a second detective in the Police Department and a park maintenance supervisor in the Parks and Recreation Department.

**Business-Type Activities:** Business-type activities increased the City of Archdale's net assets by \$207,726, accounting for 25% of the total growth in the City's net assets. Key elements of this increase are as follows:

- Water rates and sewer rates increased 3% to cover the increased costs of services and to finance costs of capital expansion.
- The City purchases water from Davidson Water and the City of High Point.
- The City of High Point processed waste water for Archdale.
- Archdale is a member of the Piedmont Triad Regional Water Authority. See Note IV in the notes to the financial statements for information about this joint venture.

### Financial Analysis of the City Funds

As noted earlier, the City of Archdale uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds:** The focus of the City of Archdale's governmental funds is on providing information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Archdale's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

## Management's Discussion and Analysis (Continued)

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The General Fund is the chief operating fund of the City of Archdale. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$3,445,555, while total fund balance reached \$4,361,164. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 68% of total General Fund expenditures. The General Fund is the only governmental fund for the City of Archdale. Governmental fund balance increased 9% over last year.

**General Fund Budgetary Highlights:** During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding from external sources, such as state and federal grants; and (3) increases in appropriations that become necessary to maintain services.

The amendments to the City's budget for the fiscal year ended June 30, 2006 were made for the following reason:

- Adjustments for increases in expenditures and offsetting revenues for parks and recreation concessions.

**Proprietary Funds:** The City's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,457,935. The growth in net assets was \$207,726. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

### Capital Asset and Debt Administration

**Capital assets.** The City of Archdale's investment in capital assets for its governmental and business-type activities as of June 30, 2006, totals \$29,690,993 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles. Not included in the value for capital assets is the infrastructure for the street system. New street construction valued in excess of \$100,000 will be added to the capital asset amounts should it occur in future years.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Acquisition of land for the expansion of Creekside Park.
- Purchase of additional vehicles in three departments.
- Construction in progress, including water tank construction, Weant Road pump station upgrades, and water and sewer line extensions.
- Major improvements to tennis courts.
- Sidewalk construction.

**The City of Archdale's Capital Assets  
(net of depreciation and amortization)**

**Figure 4**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	2006	2005	2006	2005	2006	2005
Land	\$ 6,181,220	\$ 6,089,101	\$ 140,473	\$ 140,473	\$ 6,321,693	\$ 6,229,574
Construction in progress	5,800	-	1,653,171	9,730	1,658,971	9,730
Water rights	-	-	4,106,990	3,994,108	4,106,990	3,994,108
Water treatment rights	-	-	3,825,000	3,937,500	3,825,000	3,937,500
Buildings and systems	3,116,496	3,193,062	-	-	3,116,496	3,193,062
Improvements other than buildings	298,081	232,011	-	-	298,081	232,011
Equipment and vehicles	924,826	923,790	138,175	154,952	1,063,001	1,078,742
Water distribution system	-	-	2,275,775	2,376,957	2,275,775	2,376,957
Sewer distribution system	-	-	7,024,986	7,263,601	7,024,986	7,263,601
Total	\$ 10,526,423	\$ 10,437,964	\$ 19,164,570	\$ 17,877,321	\$ 29,690,993	\$ 28,315,285

Additional information on the City's capital assets can be found in note II.A.5. of the Basic Financial Statements.

**Long-Term Debt:** As of June 30, 2006, the City of Archdale had total long-term installment debt outstanding of \$8,004,617. During the fiscal year the City entered into an installment financing contract for \$4.4 million to be repaid in 180 monthly installments. These funds will be used for construction of a water tank, construction of a pump station, expansion of water and sewer lines, and an upgrade to the City's main sewer pump station.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Archdale is \$66,964,523.

Additional information regarding the City of Archdale's long-term debt can be found in Note II.E of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The following key economic indicators reflect the growth and prosperity of the City.

- The unemployment rate for Randolph County was 4.6% at June 30, 2006, which compares favorably to the State of North Carolina unemployment rate of 4.8%.
- The number of jobs in Randolph County has remained steady over the last few years.

## Management's Discussion and Analysis (Continued)

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- The number of jobs in Randolph County has remained steady over the last few years.
- The tax base increased by \$26,751,154.

### **Budget Highlights for the Fiscal Year Ending June 30, 2007**

**Governmental Activities:** The property tax rate was set at 26 cents per one hundred dollars of property value in the budget for the fiscal year ending June 30, 2006. Revenues linked to economic growth, such as sales tax were estimated with a conservative increase, based on an improved economic outlook. The budget includes an appropriation from fund balance of \$506,175 for capital projects. The City will use the increase in revenues to finance programs currently in place and to finance improvement projects.

Budgeted expenditures in the General Fund are \$6,551,658, which is an increase over last year's original budget of \$5,816,792 and final budget of \$5,822,452. The budget related to employee compensation includes the addition of one new position in the finance department, one new engineering position and two employees in the police department, one new position in the planning department, and the reclassification of a position from part-time to full-time in the parks and recreation department. Two of these positions will be filled in January, at the midpoint of the fiscal year. Additional personnel costs include a 3% salary adjustment and continuing health insurance costs. Funds are included in this year's budget to construct a concession building as well as other improvement projects at the parks and recreation facility. The budget also includes construction of greenways, sidewalks and street improvements, expansion of the police department building, payments for economic development incentives, and other one-time improvement projects.

**Business-type Activities:** The water and sewer rates in the City will increase by 4% for minimum service, and 10% for service over 2,000 gallons primarily to cover the increasing costs of water purchases and sewer treatment and the cost of debt service related to the construction of a water tank as well as other water and sewer expansion projects. Significant changes in the operating budget are as follows:

- Personnel costs are increased on the same basis as the governmental activities.
- The budget for the fiscal year ended June 30, 2007 includes debt service for water and sewer extensions as well as for construction of a water tank in addition to other one-time capital purchases.

### **Requests for Information**

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Lori Nurse, P.O. Box 14068, Archdale, N.C. 27263. Archdale's website is <http://www.archdale-nc.gov>.

## ***Basic Financial Statements***

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**CITY OF ARCHDALE, NORTH CAROLINA**  
**Statement of Net Assets**  
**June 30, 2006**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Investments	\$ 3,828,213	\$ 3,186,576	\$ 7,014,789
Receivables (Net):			
Taxes	56,794	-	56,794
Accounts	66,566	418,441	485,007
Interest	23,357	-	23,357
Prepays	22,544	4,016	26,560
Due from Other Governments	569,371	3,520	572,891
Total Current Assets	4,566,845	3,612,553	8,179,398
Restricted Assets:			
Cash and Cash Equivalents	-	2,701,641	2,701,641
Capital Assets:			
Water Rights	-	4,106,990	4,106,990
Wastewater Treatment Rights, Net of Amortization	-	3,825,000	3,825,000
Land and Other Nondepreciable Assets	6,187,020	1,793,644	7,980,664
Other Capital Assets, Net of Depreciation	4,339,403	9,438,936	13,778,339
Total Capital Assets	10,526,423	19,164,570	29,690,993
<b>Total Assets</b>	<b>\$ 15,093,268</b>	<b>\$ 25,478,764</b>	<b>\$ 40,572,032</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Statement of Net Assets**  
**June 30, 2006**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 121,544	\$ 1,085,772	\$ 1,207,316
Unearned Revenue	22,430	3,728	26,158
Customer Deposits	-	55,456	55,456
Current Portion of Long-Term Liabilities	192,390	468,377	660,767
Total Current Liabilities	336,364	1,613,333	1,949,697
Long-Term Liabilities			
Due In More Than One Year	759,869	8,004,617	8,764,486
<b>Total Liabilities</b>	<u>1,096,233</u>	<u>9,617,950</u>	<u>10,714,183</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	9,786,997	13,402,879	23,189,876
Restricted For:			
Transportation	202,351	-	202,351
Public Safety	22,568	-	22,568
Unrestricted	3,985,119	2,457,935	6,443,054
<b>Total Net Assets</b>	<u>\$ 13,997,035</u>	<u>\$ 15,860,814</u>	<u>\$ 29,857,849</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Statement of Activities**  
**For the Year Ended June 30, 2006**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 546,520	\$ 37,518	\$ -	\$ -
Public Safety	2,043,099	-	73,240	-
Transportation	920,710	-	299,000	-
Cultural and Recreation	832,645	209,955	30,000	175,000
Environmental Protection	616,886	401,766	-	-
Community Promotions	116,303	-	-	-
Interest on Long-Term Debt	27,659	-	-	-
Total Governmental Activities	5,103,822	649,239	402,240	175,000
Business-Type Activities:				
Water and Sewer	2,218,076	2,389,519	-	-
Total Business-Type Activities	2,218,076	2,389,519	-	-
Total Primary Government	\$ 7,321,898	\$ 3,038,758	\$ 402,240	\$ 175,000

**General Revenues:**

Taxes:

Property Taxes, Levied for General Purpose

Local Option Sales and Use Taxes

Cable Television Franchise Taxes

Grants and Contributions not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Transfers

**Total General Revenues and Special Items**

**Change in Net Assets**

**Net Assets - Beginning**

**Prior Period Adjustment (Note II)**

**Net Assets - Beginning, Restated**

**Net Assets - Ending**

The notes to the financial statements are an integral part of this statement.



**Net (Expense) Revenue and Changes in Net Assets**

**Primary Government**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (509,002)	\$ -	\$ (509,002)
(1,969,859)	-	(1,969,859)
(621,710)	-	(621,710)
(417,690)	-	(417,690)
(215,120)	-	(215,120)
(116,303)	-	(116,303)
(27,659)	-	(27,659)
<u>(3,877,343)</u>	<u>-</u>	<u>(3,877,343)</u>
-	171,443	171,443
<u>-</u>	<u>171,443</u>	<u>171,443</u>
<u>(3,877,343)</u>	<u>171,443</u>	<u>(3,705,900)</u>
2,145,410	-	2,145,410
1,525,103	-	1,525,103
96,914	-	96,914
412,777	-	412,777
171,230	146,283	317,513
17,464	-	17,464
110,000	(110,000)	-
<u>4,478,898</u>	<u>36,283</u>	<u>4,515,181</u>
<u>601,555</u>	<u>207,726</u>	<u>809,281</u>
13,395,480	15,790,192	29,185,672
-	(137,104)	(137,104)
<u>13,395,480</u>	<u>15,653,088</u>	<u>29,048,568</u>
<u>\$ 13,997,035</u>	<u>\$ 15,860,814</u>	<u>\$ 29,857,849</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**

	<u>General</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>		
Cash and Investments	\$ 3,828,213	\$ 3,828,213
Receivables (Net):		
Taxes	56,794	56,794
Sanitation	40,821	40,821
Interest	18,444	18,444
Other	25,745	25,745
Due from Other Governments	569,371	569,371
Prepays	<u>22,544</u>	<u>22,544</u>
<b>Total Assets</b>	<b>\$ <u>4,561,932</u></b>	<b>\$ <u>4,561,932</u></b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts Payable and		
Accrued Liabilities	\$ 121,544	\$ 121,544
Unearned Revenue	22,430	22,430
Deferred Revenue	<u>56,794</u>	<u>56,794</u>
<b>Total Liabilities</b>	<b><u>200,768</u></b>	<b><u>200,768</u></b>
<b>Fund Balances:</b>		
Reserved For:		
State Statute	645,602	645,602
Streets - Powell Bill	202,351	202,351
Public Safety	22,568	22,568
Prepaid Items	22,544	22,544
Unreserved, General Fund		
Designated for Subsequent		
Year's Expenditures	506,175	506,175
Designated for Economic Development	175,000	175,000
Undesignated	<u>2,786,924</u>	<u>2,786,924</u>
<b>Total Fund Balances</b>	<b><u>4,361,164</u></b>	<b><u>4,361,164</u></b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ <u>4,561,932</u></b>	

The notes to the financial statements are an integral part of this statement.

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**

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	<b>Total Governmental Funds</b>
<hr/>	
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	\$ 10,526,423
Other long-term assets (accrued interest receivable from taxes and assessments) are not available to pay for current-period expenditures and therefore are deferred	4,913
Liabilities for earned but deferred revenues in fund statements.	56,794
Some liabilities, including installment obligations payable, net pension obligations, and accrued vacation, are not due and payable in the current period and therefore are not reported in the funds.	<u>(952,259)</u>
<b>Net assets of governmental activities.</b>	<b>\$ <u><u>13,997,035</u></u></b>

The notes to the financial statements are an integral part of this statement.

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

	<u>General</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>		
Ad Valorem Taxes	\$ 2,144,485	\$ 2,144,485
Unrestricted Intergovernmental	1,938,044	1,938,044
Restricted Intergovernmental	487,871	487,871
Licenses and Permits	37,518	37,518
Sales and Services	798,005	798,005
Investment Earnings	165,637	165,637
Miscellaneous	17,300	17,300
	<u>5,588,860</u>	<u>5,588,860</u>
<b>Total Revenues</b>	<u>5,588,860</u>	<u>5,588,860</u>
<b>Expenditures</b>		
Governing Body	52,003	52,003
Administration	181,110	181,110
Finance	208,433	208,433
Legal	33,366	33,366
Building and Grounds	60,032	60,032
Police	1,832,332	1,832,332
Animal Control	49,384	49,384
Fire Inspections	26,290	26,290
Planning and Zoning	145,486	145,486
Streets	573,110	573,110
Streets - Powell Bill	390,988	390,988
Sanitation	616,886	616,886
Parks and Recreation	825,861	825,861
Senior Adults Association	10,758	10,758
Library	206,375	206,375
Community Promotions	116,303	116,303
	<u>5,328,717</u>	<u>5,328,717</u>
<b>Total Expenditures</b>	<u>5,328,717</u>	<u>5,328,717</u>
<b>Revenues Over Expenditures</b>	<u>260,143</u>	<u>260,143</u>
<b>Other Financing Sources</b>		
Transfers from Other Funds	110,000	110,000
<b>Total Other Financing Sources</b>	<u>110,000</u>	<u>110,000</u>
<b>Revenues and Other Financing Sources Over Expenditures</b>	370,143	370,143
<b>Fund Balance - Beginning of Year</b>	<u>3,991,021</u>	<u>3,991,021</u>
<b>Fund Balance - End of Year</b>	\$ <u><u>4,361,164</u></u>	\$ <u><u>4,361,164</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

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Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 370,143
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	88,459
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Change in deferred revenue for tax revenues	5,687
Change in accrued interest on tax revenues	(4,762)
Change in accrued interest	5,593
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	202,155
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Compensated absences	(46,980)
Net pension obligation	<u>(18,740)</u>
Total changes in net assets of governmental activities	\$ <u>601,555</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ARCHDALE, NORTH CAROLINA**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**

General Fund				
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Ad Valorem Taxes	\$ 2,068,500	\$ 2,068,500	\$ 2,144,485	\$ 75,985
Unrestricted Intergovernmental	1,929,533	1,929,533	1,938,044	8,511
Restricted Intergovernmental	545,000	545,000	487,871	(57,129)
Licenses and Permits	45,300	45,300	37,518	(7,782)
Sales and Services	801,000	805,560	798,005	(7,555)
Investment Earnings	64,000	64,000	165,637	101,637
Miscellaneous	59,000	60,100	17,300	(42,800)
<b>Total Revenues</b>	<u>5,512,333</u>	<u>5,517,993</u>	<u>5,588,860</u>	<u>70,867</u>
<b>Expenditures</b>				
Governing Body	53,300	53,300	52,003	1,297
Administration	192,795	192,795	181,110	11,685
Finance	219,785	219,785	208,433	11,352
Legal	32,000	42,000	33,366	8,634
Building and Grounds	66,670	68,640	60,032	8,608
Police	1,900,421	1,896,381	1,832,332	64,049
Animal Control	48,405	51,005	49,384	1,621
Fire Inspections	26,290	26,290	26,290	-
Planning and Zoning	153,246	153,246	145,486	7,760
Streets	649,136	644,136	573,110	71,026
Streets - Powell Bill	520,000	520,000	390,988	129,012
Sanitation	612,400	632,065	616,886	15,179
Parks and Recreation	855,328	967,928	825,861	142,067
Senior Adults Association	11,180	11,180	10,758	422
Library	204,130	208,130	206,375	1,755
Community Promotions	121,706	122,646	116,303	6,343
Non-Departmental	150,000	12,925	-	12,925
<b>Total Expenditures</b>	<u>5,816,792</u>	<u>5,822,452</u>	<u>5,328,717</u>	<u>493,735</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(304,459)</u>	<u>(304,459)</u>	<u>260,143</u>	<u>564,602</u>
<b>Other Financing Sources</b>				
Transfers In:				
Water and Sewer Fund	110,000	110,000	110,000	-
<b>Total Other Financing Sources</b>	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>	<u>-</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ARCHDALE, NORTH CAROLINA**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**

	General Fund			Variance with Final Budget
	Original Budget	Final Budget	Actual Amounts	Positive (Negative)
Revenues and Other Financing Sources				
Over (Under) Expenditures	\$ (194,459)	\$ (194,459)	\$ 370,143	\$ 564,602
Fund Balance Appropriated	<u>194,459</u>	<u>194,459</u>	<u>-</u>	<u>(194,459)</u>
Revenues, Other Financing Sources and Fund Balance Appropriated				
Over (Under) Expenditures	\$ <u>-</u>	\$ <u>-</u>	370,143	\$ <u>370,143</u>
Fund Balance - Beginning of Year			<u>3,991,021</u>	
Fund Balance - End of Year			\$ <u>4,361,164</u>	

The notes to the financial statements are an integral part of this statement.

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2006**

	<u>Major Water and Sewer</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Investments	\$ 3,186,576
Accounts Receivable (Net) - Billed	315,891
Accounts Receivable (Net) - Unbilled	102,550
Due from Other Governments	3,520
Prepaid Items	4,016
<b>Total Current Assets</b>	<u>3,612,553</u>
<b>Restricted Assets</b>	
Cash and Cash Equivalents	<u>2,701,641</u>
<b>Capital Assets</b>	
Water Rights	4,106,990
Wastewater Treatment Rights, Net of Amortization	3,825,000
Land and Other Nondepreciable Assets	1,793,644
Other Capital Assets, Net of Depreciation	9,438,936
<b>Total Capital Assets</b>	<u>19,164,570</u>
<b>Total Assets</b>	<u>\$ 25,478,764</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable and Accrued Liabilities	\$ 1,085,772
Customer Deposits	55,456
Unearned Revenue	3,728
Installment Notes Payable - Current	468,377
<b>Total Current Liabilities</b>	<u>1,613,333</u>
<b>Noncurrent Liabilities</b>	
Compensated Absences Payable	9,662
Installment Notes Payable - Noncurrent	7,994,955
<b>Total Noncurrent Liabilities</b>	<u>8,004,617</u>
<b>Total Liabilities</b>	<u>\$ 9,617,950</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	13,402,879
Unrestricted	<u>2,457,935</u>
<b>Total Net Assets</b>	<u>\$ 15,860,814</u>

The notes to the financial statements are an integral part of this statement.



**CITY OF ARCHDALE, NORTH CAROLINA**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	<u>Major Water and Sewer</u>
<b>Operating Revenues</b>	
Charges for Services	\$ 2,206,461
Water and Sewer Taps	52,250
Impact and Acreage Fees	48,020
Other Operating Revenues	<u>82,788</u>
<b>Total Operating Revenues</b>	<u>2,389,519</u>
<b>Operating Expenses</b>	
Salaries and Employee Benefits	284,910
Water Purchases	464,640
Waste Disposal and Treatment Costs	359,577
Other Operating Expenditures	462,985
Depreciation	373,963
Amortization	<u>112,500</u>
<b>Total Operating Expenses</b>	<u>2,058,575</u>
<b>Operating Income</b>	<u>330,944</u>
<b>Nonoperating Revenues (Expenses)</b>	
Investment Earnings	146,283
Interest Expense	<u>(159,501)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(13,218)</u>
<b>Total Income Before Transfers</b>	317,726
Transfers to Other Funds	<u>(110,000)</u>
<b>Change in Net Assets</b>	<u>207,726</u>
<b>Net Assets - Beginning of Year</b>	15,790,192
Prior Period Adjustment (Note II)	<u>(137,104)</u>
<b>Net Assets - Beginning of Year, Restated</b>	<u>15,653,088</u>
<b>Net Assets - End of Year</b>	<u>\$ 15,860,814</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	<u><b>Major Water and Sewer</b></u>
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers and Users	\$ 2,390,346
Cash Paid for Goods and Services	(431,908)
Cash Paid to Employees for Services	(286,416)
Customer Deposits Received	25,820
Customer Deposits Returned	(17,100)
Cash Received from Other Operating Revenues	<u>82,788</u>
<b>Net Cash Provided by Operating Activities</b>	<u>1,763,530</u>
<b>Cash Flows from NonCapital Financing Activities</b>	
Transfers to Other Funds	<u>(110,000)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Installment Obligation Notes Issued	4,400,000
Interest Paid on Notes	(156,813)
Principal Paid on Note Maturities	(297,168)
Acquisition and Construction of Capital Assets	<u>(1,773,712)</u>
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<u>2,172,307</u>
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	<u>146,283</u>
<b>Net Increase in Cash and Cash Equivalents</b>	3,972,120
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>1,916,097</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u><u>\$ 5,888,217</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	<u>Major Water and Sewer</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income	\$ <u>330,944</u>
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Depreciation	373,963
Amortization	112,500
Changes in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	79,887
(Increase) Decrease in Due from Other Governments	11,238
(Increase) Decrease in Prepaids	(648)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	844,056
Increase (Decrease) in Customer Deposits	8,720
Increase (Decrease) in Deferred Revenue	3,728
Increase (Decrease) in Compensated Absences Payable	<u>(858)</u>
<b>Total Adjustments</b>	<u>1,432,586</u>
<b>Net Cash Provided by Operating Activities</b>	\$ <u><u>1,763,530</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2006**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Archdale conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

The City of Archdale is a municipal corporation that is governed by an elected mayor and a six-member council.

**B. Basis of Presentation**

*Government-wide Statements:* The statement of net assets and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental* and *proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Notes to the Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2006**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation (Continued)**

The City reports the following major governmental funds:

**General Fund.** The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state and federal grants, and various other taxes and licenses. The primary expenditures are for police, streets, streets – Powell Bill, sanitation, and parks and recreation.

The City reports the following major enterprise fund:

**Water and Sewer Fund.** This fund is used to account for the City's water and sewer operations. Included as a subfund is the Water and Sewer Capital Reserve Fund and the Water and Sewer Improvements Capital Project Fund.

**C. Measurement Focus and Basis of Accounting**

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Notes to the Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2006**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Randolph County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Archdale. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Randolph County from March 2005 through February 2006 apply to the fiscal year ended June 30, 2006. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2006 because they are intended to finance the City's operations during the 2007 fiscal year.

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Notes to the Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2006**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as deferred revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program.

As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

**D. Budgetary Data**

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Water and Sewer Improvements Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

**E. Assets, Liabilities, and Fund Equity**

**1. Deposits and Investments**

All deposits of the City are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Notes to the Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2006**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, and Fund Equity (Continued)**

**1. Deposits and Investments (Continued)**

The City's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price.

**2. Cash and Cash Equivalents**

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

**3. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2005. As allowed by state law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

**4. Allowances for Doubtful Accounts**

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

**5. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government – wide and fund financial statements and expensed as the items are used.

**6. Restricted Assets**

The unexpended loan proceeds are classified as restricted assets for the enterprise fund because their use is completely restricted to the purpose for which the loan was originally issued.



**CITY OF ARCHDALE, NORTH CAROLINA**  
**Notes to the Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2006**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, and Fund Equity (Continued)**

**7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$100; buildings and improvements, \$20,000; furniture and equipment, \$5,000; vehicles, \$10,000; and infrastructure, \$100,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003 are not recorded. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Land Improvements, Infrastructure, and Buildings	25 – 50
Furniture, Fixtures, Equipment, Heavy Equipment, And Vehicles	5 – 10

**8. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

**9. Compensated Absences**

The vacation policy of the City provides for the accumulation of up to twenty-two and a half days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a last-in, first-out method of using accumulated compensated time.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Notes to the Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2006**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, and Fund Equity (Continued)**

**10. Net Assets/Fund Balances**

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

**Reserved:**

***Reserved for Prepaid Items*** - portion of fund balance that is not available for appropriation because it represents the year-end fund balance or prepaid items, a component of net current assets.

***Reserved by State Statute*** - portion of fund balance which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables, which have not been offset by deferred revenues.

***Reserved for Streets - Powell Bill*** - portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

***Reserved for Public Safety*** – portion of fund balance that is available for appropriation but legally segregated for public safety expenditures. These funds are the local share of federal drug seizure funds.

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Notes to the Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2006**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, and Fund Equity (Continued)**

**10. Net Assets/Fund Balances (Continued)**

**Unreserved:**

***Designated for Subsequent Year's Expenditures*** - portion of total fund balance available for appropriation that has been designated for the adopted 2006-2007 budget ordinance.

***Designated for Economic Development*** - portion of the total fund balance available for possible future economic development incentives.

***Undesignated*** - portion of total fund balance available for appropriation that is uncommitted at year-end.

**II. DETAIL NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits**

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agent in the City's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in City's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no policy regarding custodial risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S.159-31 when designating official depositories and verifying that deposits are properly secured.

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Notes to the Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2006**

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**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

**1. Deposits (Continued)**

At June 30, 2006, the City's deposits had a carrying amount of \$9,092,992 and a bank balance of \$9,323,736. Of the bank balance, \$300,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2006, the City's petty cash funds totaled \$749, the Water fund has cash drawer funds in the amount of \$75, and the Police department has \$5,470 in police investigation funds.

**2. Investments**

At June 30, 2006, the City of Archdale had \$617,144 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's. The City has no policy regarding credit risk.

**3. Receivables - Allowances for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Assets are net of the following allowances for doubtful accounts:

Fund	06/30/2006
Water Fund:	
Water and Sewer Billings	\$ 35,000
Total	\$ 35,000

**4. Due from Other Governments**

Amounts due from governmental agencies consist of the following:

General Fund	
Sales and Use Tax Distribution	\$ 397,737
Utilities Franchise and Telecommunications Tax	108,457
Sales Tax Refunds	21,501
Property Tax Collections	25,113
School Resource Officer Reimbursement	3,988
Animal Control and Library Reimbursement	12,419
ABC Board Profit Distribution	156
Total	\$ 569,371
Water and Sewer Fund	
Sales Tax Refunds	\$ 3,520

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Notes to the Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2006**

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

**5. Capital Assets**

**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2006, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 2,112,191	92,119	\$ -	\$ 2,204,310
Construction in progress	-	5,800	-	5,800
Street Rights-of-Way	3,976,910	-	-	3,976,910
Total capital assets not being depreciated	6,089,101	97,919	-	6,187,020
<b>Capital assets being depreciated:</b>				
Buildings	4,031,922	-	-	4,031,922
Land improvements	454,395	89,100	-	543,495
Equipment and Vehicles	1,693,385	186,188	(39,000)	1,840,573
Total capital assets being depreciated	6,179,702	275,288	(39,000)	6,415,990
<b>Less accumulated depreciation for:</b>				
Buildings	838,860	76,566	-	915,426
Land improvements	222,384	23,030	-	245,414
Equipment and Vehicles	769,595	182,715	(36,563)	915,747
Total accumulated depreciation	1,830,839	282,311	(36,563)	2,076,587
Total capital assets being depreciated, net	4,348,863			4,339,403
<b>Governmental activity capital assets, net</b>	<u>\$ 10,437,964</u>			<u>\$ 10,526,423</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 10,979
Public safety	126,719
Transportation	53,347
Cultural and recreation	91,266
Total	<u>\$ 282,311</u>

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Notes to the Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2006**

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

**5. Capital Assets (Continued)**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<i>Water and Sewer Fund</i>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 140,473	\$ -	\$ -	\$ 140,473
Construction-in-progress	9,730	1,643,441	-	1,653,171
Total capital assets not being depreciated	<u>150,203</u>	<u>1,643,441</u>	<u>-</u>	<u>1,793,644</u>
<b>Capital assets being depreciated:</b>				
Equipment	319,120	17,389	-	336,509
Water distribution system	4,286,977	-	-	4,286,977
Sewer distribution system	11,930,762	-	-	11,930,762
Total capital assets being Depreciated	<u>16,536,859</u>	<u>17,389</u>	<u>-</u>	<u>16,554,248</u>
<b>Less accumulated depreciation for:</b>				
Equipment	164,168	34,166	-	198,334
Water distribution system	1,910,020	101,182	-	2,011,202
Sewer distribution system	4,667,161	238,615	-	4,905,776
Total accumulated depreciation	<u>6,741,349</u>	<u>373,963</u>	<u>-</u>	<u>7,115,312</u>
Total capital assets being depreciated, net	<u>\$ 9,795,510</u>			<u>\$ 9,438,936</u>
<b>Capital assets being amortized, net:</b>				
Water rights	3,994,108	112,882	-	4,106,990
Wastewater treatment rights	4,500,000	-	-	4,500,000
Total capital assets being amortized:	<u>8,494,108</u>	<u>112,882</u>	<u>-</u>	<u>8,606,990</u>
<b>Less accumulated amortization for:</b>				
Wastewater treatment rights	562,500	112,500	-	675,000
Total capital assets being amortized, net	<u>7,931,608</u>			<u>7,931,990</u>
<b>Business-type activity capital assets, net</b>	<u>\$ 17,877,321</u>			<u>\$ 19,164,570</u>

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Notes to the Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2006**

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**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

**5. Capital Assets (Continued)**

**Construction Commitments**

The government has active construction projects as of June 30, 2006. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Water Tank	\$ 585,997	\$ 705,003
Water and Sewer Lines	628,327	986,221
Pump Stations	171,700	816,094
Total	<u>\$ 1,386,024</u>	<u>\$ 2,507,318</u>

**B. Liabilities**

**1. Pension Plan Obligations**

**a. Local Governmental Employees' Retirement System**

**Plan Description.** The City of Archdale contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Notes to the Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2006**

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**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

**a. Local Governmental Employees' Retirement System (Continued)**

**Funding Policy.** Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 5.85% and 5.71%, respectively, of annual covered payroll. The contribution requirements of members and of the City of Archdale are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2006, 2005, and 2004 were \$118,990, \$113,151, and \$91,161, respectively. The contributions made by the City equaled the required contributions for each year.

**b. Supplemental Retirement Income Plan**

**1. Plan Description**

The City of Archdale contributes amounts for law enforcement officers to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. In addition, the City has elected to contribute amounts for employees not engaged in law enforcement under this plan.

**2. Funding Policy**

Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. For employees not engaged in law enforcement, the City has elected to contribute each month an amount equal to 5% of each employee's salary. Also, the law enforcement officers and employees not engaged in law enforcement may make voluntary contributions to the Plan. Contributions for law enforcement officers for the year ended June 30, 2006 were \$62,585, which consisted of \$47,069 from the City and \$15,516 from law enforcement officers. Contributions for employees not engaged in law enforcement for the year ended June 30, 2006 were \$93,941, which consisted of \$55,712 from the City and \$38,229 from the employees.



**CITY OF ARCHDALE, NORTH CAROLINA**  
**Notes to the Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2006**

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**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

**c. Law Enforcement Officers Special Separation Allowance**

**1. Plan Description.**

The City of Archdale administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Separation Allowance does not issue a standalone financial report. Financial and trend information is presented as required supplementary information following these notes.

All full time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2005, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>25</u>
Total	<u><u>26</u></u>

A separate report was not issued for the plan.

**2. Summary of Significant Accounting Policies**

***Basis of Accounting.*** The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

***Method Used to Value Investments.*** No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Notes to the Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2006**

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**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

**c. Law Enforcement Officers Special Separation Allowance (Continued)**

**3. Contributions**

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2005 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5 – 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include post-employment benefit increases.

*Annual Pension Cost and Net Pension Obligation.* The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Employer annual required contribution	\$ 34,080
Interest on net pension obligation	4,330
Less adjustment of annual required contribution	<u>3,430</u>
Annual pension cost	34,980
Less contributions made	<u>16,240</u>
Increase (decrease) in net pension obligation	18,740
Net pension obligation beginning of year	<u>59,718</u>
Net pension obligation end of year	<u><u>\$ 78,458</u></u>

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Notes to the Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2006**

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**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

**c. Law Enforcement Officers Special Separation Allowance (Continued)**

**3. Contributions (Continued)**

**3 Year Trend Information**

Year Ending June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	\$ 29,385	55.27%	\$ 46,199
2005	29,759	54.57%	59,718
2006	34,980	46.43%	78,458

**d. Other Post-employment Benefits**

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2006, the City made contributions to the State for death benefits of \$2,670. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .12% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Notes to the Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2006**

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**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**C. Deferred / Unearned Revenues**

The balance in deferred / unearned revenues at year-end is composed of the following elements:

	Deferred Revenue	Unearned Revenue
Prepaid Licenses (General Fund)	\$ -	\$ 13,651
Customer Overpayments (Water Fund)	-	3,728
Taxes Receivable (General Fund)	56,794	-
Prepaid Taxes (General Fund)	-	8,779
Total	\$ 56,794	\$ 26,158

**D. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance coverage which provides for the following types of major coverage for the amounts of retained risk noted: general liability (\$2,000,000), comprehensive law enforcement liability (\$2,000,000), public officials' liability (\$2,000,000), auto liability coverage (\$2,000,000) and employee health coverage with an unlimited lifetime limit. The City also carries workers' compensation coverage of up to \$1,000,000. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three years.

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The City carries flood insurance coverage up to a limit of coverage of \$1,000,000 with a 10% deductible (\$50,000 minimum per covered location); the annual aggregate is \$1,000,000.

The finance director is individually bonded for \$250,000. All remaining employees are bonded under a blanket bond for \$250,000.

**E. Long-Term Obligations**

**1. Notes Payable**

In March 2006, a note was executed with Bank of America by the City for construction of water and sewer lines, a water tank, and pump station. The City has entered into a note payable with Wachovia Bank, N.A. for the construction of a public library. The City has also entered into a note payable with Branch Banking and Trust for the purchase of new vehicles and equipment.

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Notes to the Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2006**

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**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**E. Long-Term Obligations (Continued)**

**1. Notes Payable (Continued)**

***Governmental Activities:***

Note payable to Wachovia Bank, N.A. interest and principal payable in 31 quarterly installments of \$28,532 each including interest payable at 3.5%, unsecured. \$ 521,439

Note payable to Branch Banking and Trust, interest and principal payable in 60 monthly installments of \$8,331 each including interest payable at 2.71%, secured by equipment. 217,987

739,426

Less current portion: 192,390

Total \$ 547,036

The future minimum payments on the notes payable as of June 30, 2006 are as follows:

Year Ending June 30	Governmental Type Activities	
	Principal	Interest
2007	\$ 192,390	\$ 21,714
2008	198,448	15,655
2009	129,038	10,084
2010	107,850	6,278
2011	111,700	2,454
Total	\$ 739,426	\$ 56,185

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Notes to the Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2006**

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**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**E. Long-Term Obligations (Continued)**

**1. Notes Payable (Continued)**

***Business Type Activities – Enterprise Fund – Water/Sewer Funds***

Note payable to the State of North Carolina Sewer Revolving Loan, principal payable in 20 annual installments of \$242,250 and semi-annual interest installments 2.66%. \$ 4,118,250

Note payable to Bank of America, interest and principal payable in 180 monthly installments of \$31,854 each including interest payable at 3.68%. 4,345,082

8,463,332

Less current portion: 468,377

Total \$ 7,994,954

The long-term debt requirements to maturity for the business-type activities are as follows:

Year Ending June 30	Business Type Activities	
	Principal	Interest
2007	\$ 468,377	\$ 265,667
2008	476,436	251,163
2009	485,605	235,551
2010	494,713	219,999
2011	504,162	204,106
2012 – 2016	2,674,887	769,816
2017 – 2021	2,874,651	313,352
2022 – 2023	484,501	22,331
	<u>\$ 8,463,332</u>	<u>\$ 2,281,985</u>

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Notes to the Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2006**

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**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**E. Long-Term Obligations (Continued)**

**2. Changes in Long-Term Liabilities**

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006	Current Portion of Balance
Governmental activities:					
Notes Payable	\$ 941,581	\$ -	\$ (202,155)	\$ 739,426	\$ 192,390
Compensated absences	87,395	135,574	(88,594)	134,375	-
Net pension obligation	59,718	34,980	(16,240)	78,458	-
Governmental activity long-term Liabilities	<u>\$ 1,088,694</u>	<u>\$ 170,554</u>	<u>\$ (306,989)</u>	<u>\$ 952,259</u>	<u>\$ 192,390</u>
Business-type activities:					
Note payable	\$ 4,360,500	\$ 4,400,000	\$ (297,168)	\$ 8,463,332	\$ 468,377
Compensated absences	10,520	12,243	(13,101)	9,662	-
Business-type activity long-term Liabilities	<u>\$ 4,371,020</u>	<u>\$ 4,412,243</u>	<u>\$ (310,269)</u>	<u>\$ 8,472,994</u>	<u>\$ 468,377</u>

Compensated absences typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave as it is earned.

**F. Interfund Balances and Activity**

Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2006, consist of the following:

From the General Fund to the Water and Sewer Fund for	
Administrative costs	\$ 110,000
Total	<u>\$ 110,000</u>

**G. Prior Period Adjustment**

During the fiscal year ended June 30, 2006, the City recorded a prior year invoice for \$137,104 to be paid over the next 3 years to the NCDOT for utility relocation costs.

**III. Jointly Governed Organization**

The City, in conjunction with six counties and 25 other municipalities established the Piedmont Triad Regional Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$1,961 to the Council during the fiscal year ended June 30, 2006.

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Notes to the Financial Statements (Continued)**  
**For the Fiscal Year Ended June 30, 2006**

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**IV. Joint Ventures**

The City, in conjunction with five other governments, participates in the Piedmont Triad Regional Water Authority. The Authority was established to construct a dam facility, water treatment plant and related distribution lines. The Authority completed construction of the dam in 2006, and the participating governments that created the Authority contributed a pre-determined share of the construction costs. During the year ended June 30, 2006, the City paid \$138,000 to the Authority; consisting of \$112,882 capital contribution and \$25,118 for the City's share of the Authority's operating expenses. According to the joint governmental agreement, the participating governments have the right to purchase future treated water based upon their pre-determined share, according to a uniform rate structure to be set by the Authority. An intangible asset in the amount of \$4,106,990, for water rights, has been recorded at cost in the government-wide financial statements as of June 30, 2006. Complete financial statements for the Authority can be obtained from the Authority's administrative offices at 2216 West Meadowview Road, Greensboro, North Carolina.

**V. Summary Disclosure of Significant Contingencies**

**Federal and State Assisted Programs**

The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.



## ***Required Supplemental Financial Data***

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This section contains additional information required by generally accepted accounting principles.

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance

**CITY OF ARCHALE, NORTH CAROLINA**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**  
**Schedule of Funding Progress**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b-a)/c)</b>
12/31/1999	\$ -	\$ 114,044	\$ 114,044	0.00%	\$ 761,558	14.98%
12/31/2000	-	188,994	188,994	0.00%	657,895	28.73%
12/31/2001	-	243,320	243,320	0.00%	719,254	33.83%
12/31/2002	-	258,348	258,348	0.00%	736,237	35.09%
12/31/2003	-	251,717	251,717	0.00%	759,151	33.16%
12/31/2004	-	291,467	291,467	0.00%	811,969	35.90%
12/31/2005	-	281,746	281,746	0.00%	954,177	29.53%

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**  
**Schedule of Employer Contributions**

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<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Annual Percentage Contributed</u>
2004	\$ 29,385	55.27%
2005	29,759	54.57%
2006	34,980	46.43%

**Notes to the Required Schedules:**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation Date	12/31/2005
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Pay Closed
Remaining Amortization Period	25 Years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.25%
Projected Salary Increases	4.5% - 12.3%
Includes Inflation at	3.75%
Cost of Living Adjustments	N/A



## ***Combining and Individual Fund Statements and Schedules***

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**CITY OF ARCHDALE, NORTH CAROLINA**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
<b>Ad Valorem Taxes</b>			
Current Year - Property	\$	\$ 2,132,664	\$
Prior Years - Property		4,906	
Penalties and Interest		6,915	
<b>Total Ad Valorem Taxes</b>	<u>2,068,500</u>	<u>2,144,485</u>	<u>75,985</u>
<b>Unrestricted Intergovernmental</b>			
Local Option Sales Tax		1,525,103	
Utility Franchise Tax		237,455	
Telecommunications Tax		133,780	
Piped Natural Gas		23,798	
Beer and Wine Tax		16,935	
ABC Profit Distribution		809	
Miscellaneous		164	
<b>Total Unrestricted Intergovernmental</b>	<u>1,929,533</u>	<u>1,938,044</u>	<u>8,511</u>
<b>Restricted Intergovernmental</b>			
Clean Water Management Grant		175,000	
Powell Bill Allocation		297,415	
Powell Bill Reimbursement		1,585	
Controlled Substance Tax		3,871	
Randolph County		10,000	
<b>Total Restricted Intergovernmental</b>	<u>545,000</u>	<u>487,871</u>	<u>(57,129)</u>
<b>Licenses and Permits</b>			
Building Permits and Fees		17,095	
Privilege Licenses		20,423	
<b>Total Licenses and Permits</b>	<u>45,300</u>	<u>37,518</u>	<u>(7,782)</u>
<b>Sales and Services</b>			
Recreation Department Fees		209,955	
Solid Waste		253,487	
Recycling		148,280	
CATV Franchise		96,914	
Shared Expense Reimbursement		89,369	
<b>Total Sales and Services</b>	<u>805,560</u>	<u>798,005</u>	<u>(7,555)</u>
<b>Investment Earnings</b>			
General Fund		149,804	
Powell Bill		15,833	
<b>Total Investment Earnings</b>	<u>64,000</u>	<u>165,637</u>	<u>101,637</u>

**CITY OF ARCHDALE, NORTH CAROLINA**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Miscellaneous</b>			
Proceeds from Sales of Fixed Assets	\$	\$ 1,500	\$
Other		15,800	
<b>Total Miscellaneous</b>	<u>60,100</u>	<u>17,300</u>	<u>(42,800)</u>
<b>Total Revenues</b>	<u>5,517,993</u>	<u>5,588,860</u>	<u>70,867</u>
<b>Expenditures</b>			
<b>Governing Body</b>			
Salaries and Employee Benefits		29,824	
Other Operating Expenditures		22,179	
<b>Total Governing Body</b>	<u>53,300</u>	<u>52,003</u>	<u>1,297</u>
<b>Administration</b>			
Salaries and Employee Benefits		153,552	
Other Operating Expenditures		27,558	
<b>Total Administration</b>	<u>192,795</u>	<u>181,110</u>	<u>11,685</u>
<b>Finance</b>			
Salaries and Employee Benefits		150,943	
Contract Services		28,670	
Other Operating Expenditures		28,820	
<b>Total Finance</b>	<u>219,785</u>	<u>208,433</u>	<u>11,352</u>
<b>Legal</b>			
Professional Services	<u>42,000</u>	<u>33,366</u>	<u>8,634</u>
<b>Buildings and Grounds</b>			
Salaries and Employee Benefits		17,652	
Utilities		13,076	
Repairs and Maintenance		16,210	
Other Operating Expenditures		13,094	
<b>Total Buildings and Grounds</b>	<u>68,640</u>	<u>60,032</u>	<u>8,608</u>
<b>Police</b>			
Salaries and Employee Benefits		1,379,656	
Repairs and Maintenance		33,917	
Fuel, Gas, and Oil		48,956	
Other Operating Expenditures		179,891	
Debt Service:			
Principal		88,889	
Interest		6,231	
Capital Outlay		94,792	
<b>Total Police</b>	<u>1,896,381</u>	<u>1,832,332</u>	<u>64,049</u>

**CITY OF ARCHDALE, NORTH CAROLINA**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Animal Control</b>			
Salaries and Employee Benefits	\$	\$ 41,488	\$
Other Operating Expenditures		7,896	
<b>Total Animal Control</b>	<u>51,005</u>	<u>49,384</u>	<u>1,621</u>
<b>Fire Inspections</b>			
Contract Services	<u>26,290</u>	<u>26,290</u>	<u>-</u>
<b>Planning and Zoning</b>			
Salaries and Employee Benefits		111,593	
Other Operating Expenditures		33,893	
<b>Total Planning and Zoning</b>	<u>153,246</u>	<u>145,486</u>	<u>7,760</u>
<b>Streets</b>			
Salaries and Employee Benefits		263,095	
Utilities		116,259	
Repairs and Maintenance		22,354	
Other Operating Expenditures		71,710	
Debt Service:			
Principal		13,905	
Interest		1,091	
Capital Outlay		84,696	
<b>Total Streets</b>	<u>644,136</u>	<u>573,110</u>	<u>71,026</u>
<b>Streets - Powell Bill</b>			
Street Repairs and Maintenance	<u>520,000</u>	<u>390,988</u>	<u>129,012</u>
<b>Sanitation</b>			
Contract Services	<u>632,065</u>	<u>616,886</u>	<u>15,179</u>
<b>Parks and Recreation</b>			
Salaries and Employee Benefits		359,455	
Utilities		40,788	
Repairs and Maintenance		59,987	
Other Operating Expenditures		166,346	
Debt Service:			
Principal		5,540	
Interest		26	
Capital Outlay		193,719	
<b>Total Parks and Recreation</b>	<u>967,928</u>	<u>825,861</u>	<u>142,067</u>
<b>Senior Adults Association</b>			
Other Operating Expenditures	<u>11,180</u>	<u>10,758</u>	<u>422</u>



**CITY OF ARCHDALE, NORTH CAROLINA**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Library</b>			
Payment to Randolph County	\$	\$ 82,383	\$
Other Operating Expenditures		9,860	
Debt Service:			
Principal		93,821	
Interest		20,311	
<b>Total Library</b>	<u>208,130</u>	<u>206,375</u>	<u>1,755</u>
<b>Community Promotions</b>			
Other Operating Expenditures	<u>122,646</u>	<u>116,303</u>	<u>6,343</u>
<b>Non-Departmental</b>	<u>12,925</u>	<u>-</u>	<u>12,925</u>
<b>Total Expenditures</b>	<u>5,822,452</u>	<u>5,328,717</u>	<u>493,735</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(304,459)</u>	<u>260,143</u>	<u>564,602</u>
<b>Other Financing Sources</b>			
Transfers In:			
Water and Sewer Fund	<u>110,000</u>	<u>110,000</u>	<u>-</u>
<b>Total Other Financing Sources</b>	<u>110,000</u>	<u>110,000</u>	<u>-</u>
<b>Revenues and Other Financing Sources Over (Under) Expenditures</b>	<u>(194,459)</u>	<u>370,143</u>	<u>564,602</u>
<b>Fund Balance Appropriated</b>	<u>194,459</u>	<u>-</u>	<u>(194,459)</u>
<b>Revenues, Other Financing Sources and Fund Balance Appropriated Over (Under) Expenditures</b>	\$ <u><u>-</u></u>	370,143	\$ <u><u>370,143</u></u>
<b>Fund Balance - Beginning of Year</b>		<u>3,991,021</u>	
<b>Fund Balance - End of Year</b>		\$ <u><u>4,361,164</u></u>	

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Operating Revenues</b>			
Water Charges	\$ 822,400	\$ 850,362	\$ 27,962
Sewer Charges	1,297,800	1,356,099	58,299
Water and Sewer.Taps	26,450	52,250	25,800
Other Operating Revenues	<u>42,040</u>	<u>82,788</u>	<u>40,748</u>
<b>Total Operating Revenues</b>	2,188,690	2,341,499	152,809
<b>Nonoperating Revenues</b>			
Investment Earnings	<u>37,000</u>	<u>32,890</u>	<u>(4,110)</u>
<b>Total Revenues</b>	<u>2,225,690</u>	<u>2,374,389</u>	<u>148,699</u>
<b>Expenditures</b>			
Salaries and Employee Benefits		301,790	
Water Purchases		464,640	
Waste Disposal and Treatment Costs		359,577	
Other Operating Expenditures		444,729	
Debt Service:			
Principal		297,168	
Interest		159,501	
Water Rights		112,882	
Capital Outlay		17,389	
<b>Total Expenditures</b>	<u>2,187,297</u>	<u>2,157,676</u>	<u>29,621</u>
<b>Revenue Over Expenditures</b>	<u>38,393</u>	<u>216,713</u>	<u>178,320</u>
<b>Other Financing Uses</b>			
Transfers Out:			
General Fund	<u>(110,000)</u>	<u>(110,000)</u>	<u>-</u>
<b>Total Other Financing Uses</b>	<u>(110,000)</u>	<u>(110,000)</u>	<u>-</u>
<b>Revenues Over (Under) Expenditures and Other Financing Uses</b>	(71,607)	106,713	178,320
<b>Fund Balance Appropriated</b>	<u>71,607</u>	<u>-</u>	<u>(71,607)</u>
<b>Revenues and Fund Balance Appropriated Over (Under) Expenditures and Other Financing Uses</b>	\$ <u>-</u>	\$ <u>106,713</u>	\$ <u>106,713</u>

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Revenues Over (Under) Expenditures and Other Financing Sources (Uses)		\$ <u>106,713</u>	
Reconciling Items:			
Depreciation Expense		(373,963)	
Amortization Expense		(112,500)	
Principal Retirement		297,168	
Capital Outlays		17,389	
Purchase of Water Rights		112,882	
Investment Earnings - Water and Sewer Capital Reserve Fund		67,379	
Investment Earnings - Water and Sewer Improvements Capital Project Fund		46,014	
Operating Revenues - Water and Sewer Capital Reserve Fund		48,020	
Expenditures - Water and Sewer Improvements Capital Project Fund		<u>(1,376)</u>	
Total Reconciling Items		<u>101,013</u>	
<b>Net Income</b>		\$ <u><u>207,726</u></u>	

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Water and Sewer Capital Reserve Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
<b>Operating Revenues</b>			
Impact Fees	\$ 50,000	\$ 39,750	\$ (10,250)
Acreage Fees	-	8,270	8,270
<b>Total Operating Revenues</b>	<u>50,000</u>	<u>48,020</u>	<u>(1,980)</u>
<b>Nonoperating Revenues</b>			
Investment Earnings	<u>27,650</u>	<u>67,379</u>	<u>39,729</u>
<b>Total Revenues</b>	77,650	115,399	37,749
<b>Appropriated Fund Balance</b>	<u>(77,650)</u>	<u>-</u>	<u>77,650</u>
<b>Revenues Over (Under)</b>			
<b>Fund Balance Appropriated</b>	\$ <u>-</u>	\$ <u>115,399</u>	\$ <u>115,399</u>

**CITY OF ARCHDALE, NORTH CAROLINA**  
**Water and Sewer Improvements Capital Project Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2006**

		<u>Actual</u>		<u>Totals</u>	<u>Variance</u>
	<u>Project</u>	<u>Prior</u>	<u>Current</u>	<u>to</u>	<u>Positive</u>
	<u>Authorization</u>	<u>Year</u>	<u>Year</u>	<u>Date</u>	<u>(Negative)</u>
<b>Revenues</b>					
Investment Earnings	\$ 94,000	\$ -	\$ 46,014	\$ 46,014	\$ (47,986)
<b>Expenditures</b>					
Capital Outlay	<u>4,597,000</u>	<u>-</u>	<u>1,644,817</u>	<u>1,644,817</u>	<u>2,952,183</u>
<b>Revenues Over (Under)</b>					
<b>Expenditures</b>	<u>(4,503,000)</u>	<u>-</u>	<u>(1,598,803)</u>	<u>(1,598,803)</u>	<u>2,904,197</u>
<b>Other Financing Sources</b>					
Transfers in:					
Water and Sewer Fund	103,000	-	-	-	(103,000)
Installment Obligations Issued	<u>4,400,000</u>	<u>-</u>	<u>4,400,000</u>	<u>4,400,000</u>	<u>-</u>
<b>Total Other Financing Sources</b>	<u>4,503,000</u>	<u>-</u>	<u>4,400,000</u>	<u>4,400,000</u>	<u>(103,000)</u>
<b>Revenues and Other Financing</b>					
<b>Sources Over (Under)</b>					
<b>Expenditures</b>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,801,197</u>	\$ <u>2,801,197</u>	\$ <u>2,801,197</u>



## ***Other Schedules***

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This section contains additional information on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

**CITY OF ARCHDALE, NORTH CAROLINA**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2006**

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2005</u>	<u>Additions and Adjustments</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2006</u>
2005-06	\$ -	\$ 1,928,399	\$ 1,922,696	\$ 5,703
2004-05	4,470	-	3,501	969
2003-04	1,028	-	793	235
2002-03	562	-	271	291
2001-02	462	-	264	198
2000-01	4,974	-	1	4,973
1999-00	778	-	-	778
1998-99	290	-	-	290
1997-98	106	-	-	106
1996-97	130	-	2	128
1995-96	132	-	123	9
	<u>12,932</u>	<u>1,928,399</u>	<u>1,927,651</u>	<u>13,680</u>
Plus Uncollected Taxes Receivable on Registered Vehicles				
2004-05	-	248,105	221,553	26,552
Prior Years	<u>38,175</u>	<u>-</u>	<u>21,613</u>	<u>16,562</u>
	<u>38,175</u>	<u>248,105</u>	<u>243,166</u>	<u>43,114</u>
	\$ <u><u>51,107</u></u>	\$ <u><u>2,176,504</u></u>	\$ <u><u>2,170,817</u></u>	\$ <u><u>56,794</u></u>

Reconcilement with Revenues

Ad Valorem Taxes - General Fund	\$ 2,144,485
Reconciling Items:	
Discounts Allowed	24,967
Taxes Released, Written Off, and Refunds	8,280
Interest and Penalties Collected	<u>(6,915)</u>
Total Collections and Credits	\$ <u><u>2,170,817</u></u>



**CITY OF ARCHDALE, NORTH CAROLINA**  
**Analysis of Current Tax Levy**  
**Town-Wide Levy**  
**June 30, 2006**

	Town-Wide			Total Levy	
	Property Valuation	Rate Per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property Taxed at					
Current Year's Rate	\$ 797,743,462	0.260	\$ 2,074,133	\$ 1,826,028	\$ 248,105
Penalties	-		157	157	-
	<u>797,743,462</u>		<u>2,074,290</u>	<u>1,826,185</u>	<u>248,105</u>
<b>Discoveries:</b>					
Current Year Taxes	<u>39,313,077</u>	0.260	<u>102,214</u>	<u>102,214</u>	<u>-</u>
<b>Total Property Valuations</b>	<u>\$ 837,056,539</u>				
<b>Net Levy</b>			2,176,504	1,928,399	248,105
<b>Uncollected Taxes at June 30, 2006</b>			<u>(32,255)</u>	<u>(5,703)</u>	<u>(26,552)</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 2,144,249</u>	<u>\$ 1,922,696</u>	<u>\$ 221,553</u>
<b>Current Levy Collection Percentage</b>			<u>98.52%</u>	<u>99.70%</u>	<u>89.30%</u>

